

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 SP-02 L-03 H-02 NSC-05 EB-07

COME-00 TRSE-00 JUSE-00 CIAE-00 INR-07 NSAE-00 ARAE-00

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P 201217Z MAY 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 3263

C O N F I D E N T I A L CARACAS 5694

E.O. 11652: GDS

TAGS: PINS, ASEC, EINV, VE

SUBJ: NATIONALIZATION OF OWENS-ILLINOIS

REF: CARACAS 5687

CUATION: PROPRIETARY INFORMATION INVOLVED.

1. IN CONVERSATION WITH MAX POWELL OF OWNES-ILLINOIS
SUBSEQUENT TO REFTEL, I WAS INFORMED THAT MINISTER OF STATE
CARMELO LAURIA DELIVERED ULTIMATUM ON EVENING OF TUESDAY MAY 18,
ALONG FOLLOWING LINES: ACCEPT ARBITRATION WITH GROUND RULES
ALONG LINES REPORTED REFTEL, BY MAY 31 OR "APPROPRIATE LEGISLATION"
WOULD BE INTRODUCED ON JUNE 2 TO NATIONALIZE THE COMPANY.

2. POWELL OBJECTS TO ARBITRATION ON FOLLOWING GROUNDS:

A. IT EFFECTIVELY ELIMINATES ANY EFFORTS BY O-I TO RETAIN ANY
SORT OF EQUITY IN THE COMPANY, "WE ARE NO LONGER ARGUING ABOUT
RELATIVE VIRTUE, ONLY PRICE;"

B. IT PLACES THE DESTINY OF O-I VENEZUELA IN THE HANDS OF
"STRANGERS;"

C. THERE IS NO GUARANTEE THAT THE ORIGINAL OFFER OF BS141
MILLION WOULD BE FORTHCOMING--IT MIGHT EVEN BE LESS;

D. POTENTIAL PRESSURE ON THE ARBITRATORS WHO WOULD BE LONG-
TIME RESIDENTS OF VENEZUELA CAN BE EXPECTED TO BE INTENSE.

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3. POWELL DOES NOT YET HAVE FEEDBACK FROM OWENS-ILLINOIS

TOLEDO BUT ANTICIPATES THAT THEY WILL REJECT THE PROPOSAL.
CERTAINLY HE IS INCLINED TO RESIST DESPITE THE APPARENT FACADE
OF FAIRNESS AND REASONABLENESS BEHIND THE OFFER. HE SEES IT
AS MUCH MORE RESTRICTIVE THAN THE PRESENT NEGOTIATIONS. HE
STATED THAT HE INTENDED TO MAKE ONE MORE ATTEMPT TO ARRIVE AT AN
UNDERSTANDING WITH LAURIA PRIOR TO THE DEADLINE OF THE ULTIMATUM.
IN MUSING ALOUD ON POSSIBLE ALTERNATIVES HE SAID THAT SOME
CONSIDERATION MIGHT BE GIVEN TO REQUESTING THAT THE VENUE OF THE
ARBITRATION BE IN NEUTRAL TERRITORY, POSSIBLY WITH THIRD COUNTRY
NATIONALS. HE DOES NOT EXPECT THESE LATTER POINTS TO BE
ACCEPTABLE TO THE GOV AND IS GENERALLY PESSIMISTIC AS TO THE
OUTCOME. CUATION: PROPRIETARY INFORMATION INVOLVED.
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